

FEB 20 1961

Information for Shareholders

Plan of Amalgamation

File
of

Toronto Elevators, Limited

Maple Leaf Milling Company, Limited

Purity Flour Mills Limited

February 13, 1961

—

Information for Shareholders

General meetings of the shareholders of each of Toronto Elevators, Limited (hereinafter sometimes called "Toronto Elevators"), Maple Leaf Milling Company, Limited (hereinafter sometimes called "Maple Leaf") and Purity Flour Mills Limited (hereinafter sometimes called "Purity") are being called to consider an amalgamation agreement which has been approved by the board of directors of each company and entered into by the companies but is subject to approval by the shareholders of each. The agreement provides for a statutory merger pursuant to section 96 of The Corporations Act (Ontario) and if approved by the shareholders at the said meetings letters patent amalgamating the companies will be applied for.

The Amalgamated Company

Upon the issue of the said letters patent the amalgamating companies will be amalgamated and continued as one company with the name Maple Leaf Mills Limited (hereinafter sometimes called the "Amalgamated Company") which will possess all the assets and be subject to all the liabilities of the amalgamating companies and the business of each will become the business of the Amalgamated Company.

Authorized Share Capital of the Amalgamated Company

The authorized capital will consist of:

- (a) a class of 75,000 Preference Shares Class A with a par value of \$100 each, issuable from time to time in one or more series;
- (b) a class of 18,628 Preference Shares Class B with a par value of \$100 each (herein sometimes called the "5½% Cumulative Redeemable Preference Shares Class B"); and
- (c) 4,000,000 common shares without par value.

The Preference Shares Class A and the Preference Shares Class B will rank on a parity in all respects except as to voting. The provisions to be attached to the classes of preference shares appear as schedules to the said amalgamation agreement, which is reproduced beginning at page 30 hereof.

Basis of Conversion of Shares

Toronto Elevators

The outstanding share capital of Toronto Elevators is 762,696 common shares without par value.

Each of these shares will be converted into one fully paid common share without par value of the Amalgamated Company.

Maple Leaf

The outstanding share capital of Maple Leaf is 18,627.04 5% Cumulative Redeemable Preference Shares with a par value of \$100 each and 534,984 common shares without par value.

Each preference share will be converted into one fully paid 5½% Cumulative Redeemable Preference Share Class B of the Amalgamated Company. Each common share will be converted into 1.4 common shares without par value of the Amalgamated Company.

Purity

Purity is a subsidiary (almost wholly-owned) of Maple Leaf, its outstanding share capital consisting of 183,000 common shares with a par value of \$10 each of which 182,605 shares are owned by Maple Leaf.

The 182,605 shares owned by Maple Leaf will be cancelled and each of the remaining 395 shares will be converted into 1.75 fully paid common shares without par value of the Amalgamated Company.

Resulting Share Capital of the Amalgamated Company

	<u>Authorized</u>	<u>Issued</u>
Preference Shares with a par value of \$100 each		
Preference Shares Class A, issuable in series.....	75,000 shares	—
5½% Cumulative Redeemable Preference Shares Class B.....	18,628 shares	18,627.04 shares
Common shares without par value (1).....	4,000,000 shares	1,512,364.85 shares

(1) Approximately 79,800 common shares will be set aside for purchase by certain key employees under the terms of existing stock option plans of the amalgamating companies.

Resulting Bond Indebtedness of the Amalgamated Company

Among the liabilities assumed by the Amalgamated Company will be the present bond indebtedness of the amalgamating companies which is as follows:

Toronto Elevators

3½% First Mortgage Sinking Fund Bonds, Series A and B maturing February 1, 1966.....	\$ 981,500
5¼% General Mortgage Bonds maturing December 1, 1963 (pledged as collateral security for special bank loan).....	\$ 3,500,000

Maple Leaf

3¾% First Mortgage Sinking Fund Bonds maturing July 1, 1963.....	\$ 1,102,500
5¼% General Mortgage Bonds maturing \$200,000 on October 1, 1961 and 1962 and the balance on July 1, 1963.....	\$ 4,600,000
	<u>\$10,184,000</u>

Toronto Elevators, Limited

General

Toronto Elevators, Limited was incorporated under the laws of the Province of Ontario in 1928. It owns all the outstanding capital stock of The Sarnia Elevator Co. Limited, Hogg & Lytle Limited and St. Clair Grain & Feeds Limited.

Toronto Elevators is one of Canada's leading companies in the grain industry, not only as a general dealer in and distributor of grains but also as a producer and distributor of animal and poultry feeds, vegetable oils and seed.

Its grain merchandising business extends to export as well as domestic markets. In connection with this business it owns and operates a grain elevator at Toronto, and operates the grain elevator at Sarnia owned by The Sarnia Elevator Co. Limited.

It sells throughout Eastern Canada a wide range of formula feeds for poultry, farm livestock and fur bearing animals under the well-known "Master Feeds" brand name and dog foods under the well-known "Master" brand name. These are produced at feed plants at Toronto, Baden, Prescott, Chatham and Owen Sound, Ontario, and are distributed through a large number of distributors in Ontario, Quebec and the Maritimes as well as through Toronto Elevators' own distributing facilities throughout central Ontario.

Toronto Elevators is one of the major processors and refiners of vegetable oils in Canada. It conducts these operations from Toronto, where it has extraction plants for both soya beans and flaxseed as well as a modern industrial oil refinery.

Hogg & Lytle Limited carries on an extensive domestic and export seed business, being a major supplier in Eastern Canada of domestic lawn grass seed. Its main facility is located at Oakwood, Ontario. It also operates branches at Exeter and Crediton, Ontario under the trade name of "Jones, MacNaughton Seeds".

St. Clair Grain & Feeds Limited is engaged in the general grain and feed business at Chatham, Ontario with branches at Dresden, Glenwood, Merlin, Staples, Tilbury and Wallaceburg, Ontario. It deals in wheat, corn and soya beans grown in those areas as well as providing a general farm service business. It owns and operates an elevator, with boat-loading facilities, at Wallaceburg, Ontario.

Toronto Elevators carries on continuous research with a view to product development and improvement. The activities of the large modern "Master Feeds" experimental farm near Toronto are well known to agriculturists throughout Canada.

Properties

The grain elevators in Toronto and Sarnia have an aggregate capacity of 9,400,000 bushels of grain, of which 5,400,000 bushels are at the Sarnia elevator. Both have facilities for rail and water shipments.

The five feed mills in Ontario have a combined capacity of over 700 tons per day. The Prescott mill commenced operations in February 1960 and is one of the most modern and efficient in North America. It has already proven most valuable in distribution of feeds, being particularly adapted to meet the modern trend towards delivery of feed in bulk.

During 1959 Toronto Elevators entered into a contract for the construction of a 16,000 deadweight ton cargo ship to be delivered in 1961. This ship is designed to carry grain and other bulk cargoes to overseas destinations as well as to operate in the Great Lakes. The estimated cost of the ship is \$2,900,000.

Current Operations

The results of operations of the first five months of the current fiscal year of Toronto Elevators show a moderate improvement over those of the comparable period in the fiscal year ended July 31, 1960.

Maple Leaf Milling Company, Limited and Purity Flour Mills Limited

General

Maple Leaf Milling Company, Limited was incorporated under the laws of the Province of Ontario in 1910 to carry on a milling business established in 1905. Purity Flour Mills Limited was incorporated under the laws of the Province of Ontario in 1905. In 1951 Purity became a subsidiary (almost wholly-owned) of Maple Leaf and the operations of the two companies have since been closely integrated under an agreement which provides among other things for the carrying on thereof by Maple Leaf for the joint account of Maple Leaf and Purity and that Maple Leaf and Purity will participate in the "joint account profit", all as described in such agreement. Brackman-Ker Milling Company Limited is a subsidiary of Purity.

Business is carried on at flour and cereal mills, feed plants and warehouses which are well situated in relation to markets and sources of supply, supplemented by numerous local sales offices and consignment agencies, as well as by export sales offices in Toronto and Vancouver.

The principal business of Maple Leaf is flour milling. Maple Leaf produces hard wheat flour for the bakery trade and household use which is sold under many trade names, the principal ones being "Cream of the West" and "Purity", and is also a large producer of cake and pastry flour, milled from soft wheat, which is sold under the well-known "Monarch" trade name. In addition to marketing these products throughout Canada, Maple Leaf has an extensive flour export business principally to the United Kingdom, the West Indies, West Africa, South America and the Far East.

As the demand for flour in export markets is subject to fluctuations which are not within its control, the policy of Maple Leaf has been designed to minimize the effect of these fluctuations by providing a stable domestic business. To this end it acquired control of three Canadian bakery chains, Canada Bread Company, Limited, Canadian Bakeries Limited and Eastern Bakeries Limited, to all of which it has been selling substantial quantities of flour.

Maple Leaf has also followed a policy of diversification in related lines to supplement its flour milling activities. A complete line of scientifically balanced stock and poultry feeds is marketed under the "Pioneer-

Cafeteria" trade name. Several lines of breakfast foods, including "Brex" and "Red River Cereal," have been marketed for many years. "Tea-Bisk" and a number of other important products, including "Monarch" cake mixes and puddings and "Pouch-Pak" cake mixes as well as prepared pie crust and other pastry and cake mixes, are well established in the market.

In Toronto a modern well-staffed research laboratory is maintained for the development of new products and to conduct basic research into grain and food problems. In the same building are modern test kitchens staffed by home economists for the preparation of company products under domestic conditions and for the development of recipes and advertising material.

Properties

Maple Leaf, together with Purity and Brackman-Ker Milling Company Limited, own and operate four flour mills and five feed plants.

The flour mills are at Toronto, St. Boniface, Medicine Hat and Calgary and have an aggregate capacity of 25,145 bags per day. They also contain facilities for storing and handling Maple Leaf's own grain requirements, having an aggregate storage capacity of 3,300,000 bushels.

The feed plants are at Montreal, Toronto, St. Boniface, Calgary and New Westminster, and together with the plant operated under lease at Goderich have an aggregate eight hour daily capacity of approximately 780 tons of feed. A new feed plant is under construction in Ste. Foye, Quebec.

Maple Leaf owns a grain elevator at Port Colborne, with a capacity of 2,250,000 bushels. Its largest flour mill, having an operating daily capacity of 12,500 bags of flour, together with a feed plant, a jute and cotton bag manufacturing plant and facilities for the production of rye, cornmeal and other sundries, were also situated at Port Colborne, but were destroyed by fire in October 1960.

The Port Colborne property loss and damage were adequately covered by insurance, and Maple Leaf will also have the benefit of loss of profits insurance with respect to a period of 12 months from the date of the fire. A new flour mill is proposed to be constructed at Port Colborne and is expected to be in operation early in 1962, with a daily capacity of 7,000 bags of flour. This rebuilding programme will give Maple Leaf much more efficient facilities, which should be reflected in substantially lower costs of operations. In the meantime, little if any loss of business in the domestic market is anticipated as all customers' requirements are being taken care of by increased production of the four remaining flour mills and limited purchases from outside mills. These arrangements, in conjunction with the loss of profits insurance coverage, should result in the maintenance of satisfactory earnings during the construction period. When the new production facilities commence operations, it is expected that they will be more efficient than any now existing in Canada.

Current Operations

The results of operations (including estimated receipts from loss of profits insurance) of the first five months of the current fiscal year of Maple Leaf (including Purity) are approximately the same as those of the comparable period in the fiscal year ended July 31, 1960.

Price Range of Shares of the Amalgamating Companies

The common shares of Toronto Elevators are traded on The Toronto Stock Exchange. The common shares of Maple Leaf are traded on The Toronto Stock Exchange and the Canadian Stock Exchange. The common shares of Purity are not traded on any exchange. The following tabulation indicates the high and low sales prices of the common shares of Toronto Elevators and Maple Leaf on The Toronto Stock Exchange for the periods indicated during 1958, 1959, 1960 and 1961.

	Toronto Elevators (1)		Maple Leaf	
	High	Low	High	Low
1958				
1st Quarter.....	\$ 6	\$ 5.33	\$ 9 $\frac{1}{4}$	\$ 7 $\frac{1}{2}$
2nd Quarter.....	7 $\frac{1}{2}$	5.83	9 $\frac{1}{8}$	8
3rd Quarter.....	9 $\frac{1}{2}$	6.71	11 $\frac{1}{2}$	9
4th Quarter.....	13.33	9 $\frac{1}{2}$	14 $\frac{1}{8}$	10 $\frac{3}{4}$
1959				
1st Quarter.....	14.92	12.33	16 $\frac{3}{4}$	12 $\frac{1}{4}$
2nd Quarter.....	17	13	19 $\frac{1}{2}$	14 $\frac{1}{2}$
3rd Quarter.....	15 $\frac{3}{8}$	12 $\frac{3}{4}$	18 $\frac{5}{8}$	15
4th Quarter.....	14 $\frac{3}{4}$	12 $\frac{1}{8}$	18	13 $\frac{1}{8}$
1960				
1st Quarter.....	13	10	14	11 $\frac{1}{4}$
2nd Quarter.....	11	9	14 $\frac{1}{2}$	12
3rd Quarter.....	11 $\frac{1}{2}$	9	16	12 $\frac{3}{4}$
October.....	11 $\frac{3}{4}$	10 $\frac{1}{2}$	16 $\frac{1}{8}$	12 $\frac{3}{4}$
November.....	12	11	16 $\frac{1}{2}$	14 $\frac{1}{2}$
December.....	11	10 $\frac{1}{2}$	15 $\frac{1}{4}$	14 $\frac{5}{8}$
1961				
January.....	12	10 $\frac{5}{8}$	16 $\frac{3}{4}$	15
February (2).....	12 $\frac{1}{8}$	11 $\frac{1}{2}$	17 $\frac{1}{8}$	16 $\frac{1}{8}$

(1) Adjusted for June 1959 3 for 1 stock split. (2) To and including February 13, 1961.

Common Share Earnings and Dividends of the Amalgamating Companies

The following tabulation indicates the earnings per common share for each of the last three fiscal years of the amalgamating companies and also the average annual earnings per common share for such period and the dividends paid on the common shares of each of such companies during such fiscal years as set out in the statements of consolidated earnings hereinafter appearing.

Year Ended July 31	Toronto Elevators (1)		Maple Leaf (including Purity)		Purity	
	Earnings per Common Share	Dividends per Common Share	Earnings per Common Share(3)	Dividends per Common Share	Earnings per Common Share	Dividends per Common Share
1958.....	\$1.49	\$0.33 $\frac{1}{2}$	\$1.18	\$0.50	\$1.05	Nil
1959.....	1.56	0.41 $\frac{2}{3}$	2.27	0.50	1.05	Nil
1960.....	1.05	0.50 (2)	2.04	0.60 (2)	0.65	Nil
Average.....	1.37	—	1.83	—	0.92	—

(1) Adjusted for June 1959 3 for 1 stock split. (2) Includes extra dividend of \$0.10 per share.

(3) Do not include earnings of controlled bakery companies except to the extent of dividends received.

Toronto Elevators is now paying dividends on its common shares at the rate of 50 cents per share per annum, having paid a dividend of 10 cents per share on September 1, 1959 and quarterly thereafter, with extra dividends of 10 cents per share having been paid on September 1, 1959 and September 1, 1960.

Maple Leaf is now paying dividends quarterly on its common shares at the rate of 60 cents per share per annum, having paid a dividend of 15 cents per share on October 1, 1960 and on January 1, 1961.

Dividends Payable Prior to Amalgamation

The Amalgamated Company is expected to come into being on April 1, 1961.

The directors of Toronto Elevators have declared the regular quarterly dividend of 10 cents per share payable on March 1, 1961. It is proposed that following the approval of the amalgamation agreement by the shareholders of the amalgamating companies an adjusting dividend of 10 cents per share will be declared payable on March 31, 1961. This adjusting dividend will approximately equal the sum of (i) $\frac{1}{3}$ of the dividend of 10 cents per share which would normally be paid on June 1, 1961 and (ii) $\frac{7}{12}$ of the extra dividend of 10 cents per share which would normally be expected to be paid on September 1, 1961.

The regular quarterly dividend on the 5% Cumulative Redeemable Preference Shares of Maple Leaf will be paid on March 31, 1961.

Also on March 31, 1961 Maple Leaf will pay the regular quarterly dividend of 15 cents per share on its common shares.

Dividends on Shares of the Amalgamated Company

Dividends on the $5\frac{1}{2}\%$ Cumulative Redeemable Preference Shares Class B of the Amalgamated Company will accrue from April 1, 1961 and will be payable quarterly thereafter commencing on July 1, 1961.

As set out under the heading "Common Shares of the Amalgamated Company" it is anticipated that the Amalgamated Company will initially pay dividends on its common shares at the rate of 50 cents per share per annum, commencing with a dividend of $12\frac{1}{2}$ cents per share payable on July 1, 1961.

Integrated Operations of the Amalgamated Company

The Amalgamated Company will continue in their entirety the businesses of the amalgamating companies.

Toronto Elevators and Maple Leaf have some operations in common and supply one another with certain raw materials. Both companies produce feed, with Toronto Elevators concentrating on markets in Eastern Canada and Maple Leaf selling from coast to coast. Both companies are in the seed business, with Maple Leaf concentrating on markets on the West coast and Toronto Elevators on markets in Ontario and Quebec and overseas. Both companies have substantial exports, with flour being the most significant for Maple Leaf and grain, vegetable oils and meals for Toronto Elevators.

Advantages of Amalgamation

The general objects of the proposed amalgamation are to achieve economies, to increase efficiency in operations, administration and sales and to provide improved service to customers. For example:

Sales. Each of the companies has a large feed sales organization, and amalgamation should result in better market coverage at lower cost. Maple Leaf has a large sales force selling to the grocery trade, which could also handle sales of grass seed, dog food and other products of Toronto Elevators. Each will contribute valuable export experience and associations to the amalgamated business.

Management. In each Company there are skilled management personnel whose talents could be more fully utilized in a larger company. In addition, the amalgamation should make possible broader management training.

Engineering. Each company presently employs an experienced engineering staff. The amalgamation will allow them to consolidate their knowledge and experience.

Research. The amalgamation of the companies will permit, on a more economical basis than would otherwise be possible, research programmes on markets, product development, product diversification, production methods and location of new facilities.

Feed Production Facilities. At the present time each company ships feed to its customers in Ontario from its own plants. The amalgamation will permit the new company to make better use of production facilities and permit the shipping of feeds to customers from the closest plant so as to minimize transportation costs.

Other. Over a period of time economies should result from the consolidation of advertising, purchasing, traffic, accounting, personnel relations and other staff operations.

“Federal Monarch”

The directors of the Amalgamated Company will consider the acquisition of the 40,000 deadweight ton super-tanker, “Federal Monarch”, by the payment of approximately \$2,300,000, which may be paid by the issue of preference shares of the Amalgamated Company, and the assumption of approximately \$6,900,000 funded debt secured on the tanker. The “Federal Monarch” is chartered to a leading Canadian oil company under arrangements designed to provide for the retirement in full of the above funded debt.

It is expected that the capital cost of the “Federal Monarch” to the present owner, being approximately \$11,200,000, would be the Amalgamated Company’s capital cost for income tax purposes. Under the Canadian Vessel Construction Assistance Act a capital cost allowance of $33\frac{1}{3}\%$ per year of the total capital cost of the tanker would be deductible in determining income subject to tax.

Proposed Directors and Officers of the Amalgamated Company

Directors

<u>Name</u>	<u>Address</u>	<u>Present Directorships in Amalgamating Companies</u>
H. N. Bawden.....	Toronto, Ontario.....	Toronto Elevators and Maple Leaf
R. C. Berkinshaw, C.B.E.....	Toronto, Ontario.....	Toronto Elevators
Everett Bristol, C.M.G., Q.C.....	Toronto, Ontario.....	Maple Leaf
Hon. G. P. Campbell, Q.C.....	Toronto, Ontario.....	Toronto Elevators and Maple Leaf
H. R. Cook.....	Toronto, Ontario.....	Toronto Elevators
F. T. Carnegie.....	Toronto, Ontario.....	Toronto Elevators
A. D. Clark.....	Toronto, Ontario.....	Toronto Elevators
P. G. Kingsburgh.....	Toronto, Ontario.....	Toronto Elevators and Maple Leaf
J. D. Leitch.....	Toronto, Ontario.....	Toronto Elevators and Maple Leaf
G. M. MacLachlan.....	Toronto, Ontario.....	Maple Leaf and Purity
B. A. Norris.....	Chicago, Illinois.....	Toronto Elevators
S. B. Playfair.....	Toronto, Ontario.....	Toronto Elevators
F. W. Presant, M.B.E.....	Toronto, Ontario.....	Toronto Elevators
C. E. Soward.....	Toronto, Ontario.....	Maple Leaf and Purity
K. F. Wadsworth.....	Toronto, Ontario.....	Maple Leaf

Officers

	<u>Name</u>	<u>Address</u>	<u>Present Offices in Amalgamating Companies</u>
Chairman of the Board	J. D. Leitch	Toronto, Ontario	President and General Manager, Toronto Elevators
President	C. E. Soward	Toronto, Ontario	President, Maple Leaf President and General Manager, Purity
Executive Vice-President	G. M. MacLachlan	Toronto, Ontario	Executive Vice-President, Maple Leaf
Secretary	F. T. Carnegie	Toronto, Ontario	Secretary, Toronto Elevators
Treasurer	G. A. Scrimger	Toronto, Ontario	Vice-President and Treasurer, Maple Leaf
Comptroller	G. W. Hawes, C.A.	Toronto, Ontario	Treasurer and Comptroller, Toronto Elevators
Assistant-Secretary	W. J. Smallacombe	Toronto, Ontario	Secretary, Maple Leaf and Purity

Common Shares of the Amalgamated Company

All common shares of the Amalgamated Company will rank equally and will carry one vote at all general meetings of shareholders.

Listing

The common shares of the Amalgamated Company will be listed on The Toronto Stock Exchange, and will also be traded on the Canadian Stock Exchange, immediately following the coming into existence of the Amalgamated Company.

Dividends

It is anticipated that the Amalgamated Company will initially pay dividends on its common shares at the rate of 50 cents per annum commencing with a dividend of 12½ cents per share payable on July 1, 1961.

Transfer Agent and Registrar

Crown Trust Company in Toronto and Montreal will be the Transfer Agent and Registrar for the common shares of the Amalgamated Company.

Share Certificates

It is expected that definitive share certificates and definitive fractional certificates for the common shares of the Amalgamated Company will be available in exchange for certificates for common shares of Toronto Elevators, Maple Leaf and Purity at the offices of Crown Trust Company in Toronto and Montreal on or about April 3, 1961.

Preference Shares Class B of the Amalgamated Company

Rank on a Parity with Preference Shares Class A

The 18,628 5½% Cumulative Redeemable Preference Shares Class B and the Preference Shares Class A of the Amalgamated Company will rank on a parity in all respects except as to voting.

Each Preference Share Class B will carry one vote at all general meetings of shareholders.

Each Preference Share Class A will carry one vote at all general meetings of shareholders if and whenever the Amalgamated Company shall be in default of six quarterly dividends and so long thereafter as any dividends on the Preference Shares Class A remain in arrears. In addition, the holders of the Preference Shares Class A will be entitled as a class to elect two members of the board of directors during any such period of arrears.

Listing

The 5½% Cumulative Redeemable Preference Shares Class B will be listed on The Toronto Stock Exchange, and will also be traded on the Canadian Stock Exchange, immediately following the coming into existence of the Amalgamated Company.

Dividends

Dividends on the 5½% Cumulative Redeemable Preference Shares Class B will accrue from April 1, 1961. Dividends will be payable on January 1, April 1, July 1 and October 1 in each year commencing on July 1, 1961.

Transfer Agent and Registrar

Crown Trust Company in Toronto and Montreal will be the Transfer Agent and Registrar for the 5½% Cumulative Redeemable Preference Shares Class B.

Share Certificates

It is expected that definitive share certificates and definitive fractional certificates for the 5½% Cumulative Redeemable Preference Shares Class B will be available in exchange for certificates for 5% Cumulative Redeemable Preference Shares and fractions thereof of Maple Leaf at the offices of Crown Trust Company in Toronto and Montreal on or about April 3, 1961.

United States Tax Ruling

The Acting Commissioner of Internal Revenue has ruled that the amalgamation will constitute a tax-free reorganization so that the conversion of shares of the amalgamating companies into shares of the Amalgamated Company will be tax-free, and the tax basis of such shares of the Amalgamated Company will be the same as the tax basis of the shares so converted. A copy of such ruling should be attached to the U.S. Federal income tax returns of shareholders subject to U.S. income tax for the taxable year in which the amalgamation is consummated.



Index to Financial Statements

	<u>Page number</u>
Auditors' report.....	13
Pro forma consolidated balance sheet—as at July 31, 1960— Maple Leaf Mills Limited.....	14 - 15
Consolidated balance sheets—as at July 31, 1960— Toronto Elevators, Limited and its subsidiaries.....	14 - 15
Maple Leaf Milling Company, Limited and its subsidiaries (including Purity Flour Mills Limited but excluding controlled bakery companies).....	14 - 15
Purity Flour Mills Limited and its subsidiaries.....	20 - 21
Pro forma Statement of Combined Earnings—nine years ended July 31, 1960— Maple Leaf Mills Limited.....	22 - 23
Statements of Consolidated Earnings—nine years ended July 31, 1960— Toronto Elevators, Limited and its subsidiaries.....	24 - 25
Maple Leaf Milling Company, Limited and its subsidiaries (including Purity Flour Mills Limited but excluding controlled bakery companies).....	26 - 27
Purity Flour Mills Limited and its subsidiaries.....	28 - 29

Auditors' Report

To the Directors of

TORONTO ELEVATORS, LIMITED,

MAPLE LEAF MILLING COMPANY, LIMITED and

PURITY FLOUR MILLS LIMITED:

We have examined the consolidated balance sheets of each of Toronto Elevators, Limited, Maple Leaf Milling Company, Limited and Purity Flour Mills Limited, and the pro forma consolidated balance sheet giving effect to the amalgamation of the companies under the name Maple Leaf Mills Limited, all as at July 31, 1960. Our examinations included general reviews of the accounting procedures of the respective companies and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheets of Toronto Elevators, Limited, Maple Leaf Milling Company, Limited and Purity Flour Mills Limited present fairly the consolidated financial positions of the respective companies as at July 31, 1960. In our opinion also the accompanying pro forma consolidated balance sheet presents fairly the financial position of the amalgamated company, Maple Leaf Mills Limited, as it would have appeared at July 31, 1960 had the amalgamation referred to in note 1 to the consolidated balance sheets and pro forma consolidated balance sheet been effected at that date.

We have also examined the statements of consolidated earnings of the respective companies referred to above, and the pro forma statement of combined earnings of such companies for the nine years ended July 31, 1960. In our opinion the accompanying statements of earnings present fairly the consolidated earnings of the respective companies for the nine years ended July 31, 1960, and the combined earnings of the amalgamating companies for the same period.

Toronto, Canada.

February 13, 1961

(Signed) Clarkson, Gordon & Co.,

Chartered Accountants

Toronto Elevators, Limited
and its subsidiaries
Maple Leaf Milling Company, Limited
and its subsidiaries
(including Purity Flour Mills Limited but excluding controlled bakery companies)
Consolidated Balance Sheets
and
Maple Leaf Mills Limited
Pro Forma Consolidated Balance Sheet
as at July 31, 1960

The Pro Forma Consolidated Balance Sheet is after giving effect as at that date to the proposed amalgamation under Section 96 of The Corporations Act (Ontario) of Toronto Elevators, Limited, Maple Leaf Milling Company, Limited and the latter's subsidiary, Purity Flour Mills Limited, under the name Maple Leaf Mills Limited in accordance with an amalgamation agreement dated as of February 13, 1961.

	ASSETS		Consolidated Balance Sheets	Pro Forma Consolidated Balance Sheet
	Toronto Elevators, Limited and its subsidiaries	Maple Leaf Milling Company, Limited and its subsidiaries (including Purity but excluding bakery companies)	Adjustments on amalgamation (note 2)	Maple Leaf Mills Limited (note 1)
Current assets:				
Cash.....	\$ 273,904	\$ 10,726		\$ 284,630
Accounts and bills receivable, less allowance for possible loss in collection.....	\$ 5,984,271	\$12,097,583		\$18,081,854
Accounts receivable from controlled bakery companies.....		\$ 102,160		\$ 102,160
Contract sales payable on future delivery of grain and other products.....	\$ 5,267,014			\$ 5,267,014
Inventories—				
Wheat held as agents for the Canadian Wheat Board, at cost.	\$ 9,452,508	\$ 4,025,851		\$13,478,359
Other grains, at market.....	2,544,065	858,084		3,402,149
Flour, cereals, feeds and other products and materials, at the lower of cost or market.....	3,107,787	5,421,785		8,529,572
Total inventories.....	\$15,104,360	\$10,305,720		\$25,410,080
Prepaid expenses.....	\$ 301,506	\$ 318,164		\$ 619,670
Total current assets.....	\$26,931,055	\$22,834,353		\$49,765,408
Inventory of repair parts and supplies		\$ 166,625		\$ 166,625
Investments:				
Shares of controlled bakery companies based on revaluations by the management in 1926 (approximate market value \$2,097,000)		\$ 2,414,976		\$ 2,414,976
Other investments, mortgages, exchange seats and properties, less amounts written off.....	\$ 371,711	773,921		1,145,632
	\$ 371,711	\$ 3,188,897		\$ 3,560,608
Fixed assets:				
Real estate, plant, equipment, and ship under construction, at cost, with the exception of assets of Maple Leaf Milling Company, Limited acquired prior to June 15, 1929 and assets of Purity Flour Mills Limited acquired prior to May 30, 1925, which are based on depreciated replacement values on those dates as appraised by Canadian Appraisal Company Limited	\$15,790,346	\$22,135,032		\$37,925,378
Less accumulated depreciation.....	8,731,157	12,778,855		21,510,012
	\$ 7,059,189	\$ 9,356,177		\$16,415,366
Patents, trade marks and goodwill.....		\$ 3		\$ 3
	\$34,361,955	\$35,546,055		\$69,908,010

The notes appearing on pages 16, 17 and 18 hereof shall be read as an integral part hereof.

Toronto Elevators, Limited
and its subsidiaries
Maple Leaf Milling Company, Limited
and its subsidiaries
(including Purity Flour Mills Limited but excluding controlled bakery companies)
Consolidated Balance Sheets
and
Maple Leaf Mills Limited
Pro Forma Consolidated Balance Sheet
as at July 31, 1960

LIABILITIES

	Consolidated Balance Sheets			Pro Forma Consolidated Balance Sheet
	Toronto Elevators, Limited and its subsidiaries	Maple Leaf Milling Company, Limited and its subsidiaries (including Purity but excluding bakery companies)	Adjustments on amalgamation (note 2)	Maple Leaf Mills Limited (note 1)
Current liabilities:				
Bankers' advances (secured).....	\$13,886,310	\$ 8,385,057		\$22,271,367
Notes payable.....	2,500,000	3,000,000		5,500,000
Owing for undelivered purchases of grain and other products (secured).....	783,826	273,796		1,057,622
Other grain and commodity commitments.....	2,037,988			2,037,988
Accounts and wages payable and accrued charges.....	1,134,996	2,553,117		3,688,113
Income and other taxes payable.....	584,795	690,371		1,275,166
Funded debt payable within one year.....	20,000	200,000		220,000
Total current liabilities.....	<u>\$20,947,915</u>	<u>\$15,102,341</u>		<u>\$36,050,256</u>
Funded debt (note 3).....	<u>\$ 4,535,500</u>	<u>\$ 5,797,000</u>		<u>\$10,332,500</u>
Accumulated tax reductions applicable to future years (note 4).....	<u>\$ 318,000</u>	<u>\$ 715,700</u>		<u>\$ 1,033,700</u>
Minority interest in the common shares of Purity Flour Mills Limited		<u>\$ 12,527</u>	<u>\$(12,527)</u>	
Shareholders' equity:				
Capital (note 5).....	\$ 1,416,810	\$ 5,020,526	\$ 4,290	\$ 6,441,626
Contributed surplus.....		576,715		576,715
Earned surplus.....	7,143,730	6,440,605	8,237	15,473,213
Excess of book value of net assets of Purity Flour Mills Limited on acquisition over the cost of the investment therein.....		1,880,641		
	<u>\$ 8,560,540</u>	<u>\$13,918,487</u>	<u>\$ 12,527</u>	<u>\$22,491,554</u>
Commitments, contingent liabilities, subsequent events and other matters (note 6)	<u>\$34,361,955</u>	<u>\$35,546,055</u>	—	<u>\$69,908,010</u>

The notes appearing on pages 16, 17 and 18 hereof shall be read as an integral part hereof.

Notes to the Consolidated Balance Sheets and Pro Forma Consolidated Balance Sheet

1. The amalgamation agreement

The amalgamation agreement dated as of February 13, 1961 provides for the amalgamation of Toronto Elevators, Limited, Maple Leaf Milling Company, Limited and the latter's subsidiary, Purity Flour Mills Limited, which would continue as one company under the name Maple Leaf Mills Limited. This agreement requires the approval of the shareholders of the amalgamating companies and confirmation by letters patent.

2. Adjustments on amalgamation

In the consolidated balance sheet of Maple Leaf Milling Company, Limited all of the assets and liabilities of Purity Flour Mills Limited are included, the parent company's investment in 182,571 shares of Purity Flour Mills Limited is eliminated and the interest of the minority shareholders in the capital and earned surplus of Purity Flour Mills Limited is provided for in the amount of \$12,527.

Upon amalgamation the shares of Purity Flour Mills Limited held by Maple Leaf Milling Company, Limited (182,605 shares as at February 13, 1961) will be cancelled and the balance of the 183,000 issued common shares which are now held by minority interests will be represented by capital of the amalgamated company, Maple Leaf Mills Limited. Accordingly in the pro forma consolidated balance sheet the minority interest in such shares (\$12,527 as at July 31, 1960) has been allocated to the capital and earned surplus of the amalgamated company.

Most of the 182,605 common shares of Purity Flour Mills Limited owned by Maple Leaf Milling Company, Limited were acquired in exchange for common and preference shares of the latter company and the proposed amalgamation will complete the pooling of interest of these two companies; accordingly in the pro forma consolidated balance sheet, the excess of the book value of net assets of Purity Flour Mills Limited on acquisition over cost of the investment therein by Maple Leaf Milling Company, Limited (\$1,880,641) is included in earned surplus.

The basis for converting the share capital of Toronto Elevators, Limited, Maple Leaf Milling Company, Limited and the minority interest in Purity Flour Mills Limited is explained in note 5.

3. Funded debt

Toronto Elevators, Limited

3½% first mortgage sinking fund bonds maturing February 1, 1966.....	\$1,025,500	
5¼% general mortgage bonds maturing December 1, 1963 pledged as collateral security for special bank loan.....	<u>\$3,500,000</u>	
Special bank loan 5¼% repayable on December 1, 1963 (secured as noted above by general mortgage bonds).....	3,500,000	
Portion of purchase price of St. Clair Grain & Feeds Limited payable in equal semi-annual instalments of \$10,000 each during the company's fiscal years 1961 and 1962 (instalments totalling \$20,000 due within one year included in current liabilities).....	<u>10,000</u>	<u>\$ 4,535,500</u>

Maple Leaf Milling Company, Limited

3¾% first mortgage sinking fund bonds maturing July 1, 1963.....	<u>\$1,197,000</u>	
General mortgage bonds		
Series A—4½% to October 1, 1960 and thereafter 5¼%—payable \$200,000 on October 1, 1961 and 1962, and \$3,200,000 on July 1, 1963 (instalment of \$200,000 due October 1, 1960 included in current liabilities).....	\$3,600,000	
Series B—5¼% maturing July 1, 1963.....	<u>1,000,000</u>	
	<u>\$4,600,000</u>	<u>5,797,000</u>

Maple Leaf Mills Limited

Upon amalgamation, all of the liabilities of the amalgamating companies will become liabilities of the amalgamated company, including funded debt payable on the same terms totalling.....	<u>\$10,332,500</u>
--	---------------------

4. Income taxes

The amalgamating companies have each followed the policy of setting aside in the balance sheet under the item "Accumulated tax reductions applicable to future years" amounts by which income taxes payable were reduced by claiming larger allowances for tax purposes than the depreciation recorded in the accounts. Such amounts are carried forward in the accounts of the amalgamated company to be brought into income in those periods when the allowances for tax purposes are less than the depreciation recorded in the accounts.

5. Capital

Toronto Elevators, Limited

Authorized:

1,000,000 common shares without par value

Issued:

759,861 common shares.....	<u>\$1,416,810</u>
----------------------------	--------------------

Maple Leaf Milling Company, Limited

Authorized:

31,441.61 5% cumulative redeemable preference shares of \$100 par value redeemable at \$104 (after deducting 48,558.39 shares purchased and cancelled)

600,000 common shares without par value

Issued:

19,124.29 preference shares.....	\$1,912,429
532,414 common shares.....	3,161,967
	<u>\$5,074,396</u>
Less 496 preference shares and 3,850 common shares held by a subsidiary.....	53,870
	<u>\$5,020,526</u>

Maple Leaf Mills Limited

Capital to be authorized:

(a) 75,000 preference shares Class A with a par value of \$100 each

(b) 18,628 5½% cumulative redeemable preference shares Class B (voting) with a par value of \$100 each

(c) 4,000,000 common shares without par value

Capital to be issued (Pro forma July 31, 1960):

19,124.29 5½% cumulative redeemable preference shares Class B—representing 1 share for each 5% preference share of Maple Leaf Milling Company, Limited outstanding at July 31, 1960.....	\$1,912,429
--	-------------

1,505,991.35 common shares.....	4,583,067
---------------------------------	-----------

Represented by:

759,861 common shares of Toronto Elevators, Limited converted share for share into.....	759,861 shares
532,414 common shares of Maple Leaf Milling Company, Limited converted at the rate of 1.4 shares of Maple Leaf Mills Limited for each share of Maple Leaf Milling Company, Limited into....	745,379.60 shares
429 shares of Purity Flour Mills Limited converted at the rate of 1.75 shares of Maple Leaf Mills Limited for each share of Purity Flour Mills Limited into.....	750.75 shares
Total.....	<u>1,505,991.35 shares</u>

Total share capital.....	<u>\$6,495,496</u>
--------------------------	--------------------

Less holdings of subsidiary—496 preference shares and 5,390 common shares.....	53,870
--	--------

\$6,441,626

At July 31, 1960, 28,035 common shares of Toronto Elevators, Limited and 41,570 common shares of Maple Leaf Milling Company, Limited were reserved for issue under terms of employees' stock options plans, the options being exercisable over a period of years. On the basis of the options outstanding at July 31, 1960 (some of which have since been exercised) the shares of Maple Leaf Mills Limited to be reserved for issue under the plans (at prices ranging from \$5.54 to \$11.07 per share) would be as follows:

	Shares	Total option price
28,035 common shares of Toronto Elevators, Limited converted share for share into.....	28,035	\$156,528.75
41,570 common shares of Maple Leaf Milling Company, Limited converted at the rate of 1.4 shares of Maple Leaf Mills Limited for each share of Maple Leaf Milling Company, Limited into.	58,198	340,103.75
	<u>86,233</u>	<u>\$496,632.50</u>

6. Commitments, contingent liabilities, subsequent events and other matters

- (a) At July 31, 1960 Toronto Elevators, Limited had a commitment outstanding of approximately \$2,000,000 in connection with the ship under construction, that will become payable under mortgages in seven equal annual instalments commencing one year after delivery.
- (b) At July 31, 1960 there were contingent liabilities for customers' drafts under discount as follows:

Toronto Elevators, Limited.....	\$189,000
Maple Leaf Milling Company, Limited.....	402,300
Total.....	<u>\$591,300</u>

- (c) It is expected that the directors of Maple Leaf Mills Limited will consider the acquisition of the 40,000 deadweight ton super-tanker, "Federal Monarch", by the payment of approximately \$2,300,000, which may be paid by the issue of preference shares of the company, and the assumption of approximately \$6,900,000 funded debt secured on the tanker. The "Federal Monarch" is chartered to a leading Canadian oil company under arrangements designed to provide for the retirement in full of the above funded debt.

It is expected that the capital cost of the "Federal Monarch" to the present owner, being approximately \$11,200,000, would be the company's capital cost for income tax purposes. Under the Canadian Vessel Construction Assistance Act a capital cost allowance of 33 $\frac{1}{3}$ % per year of the total capital cost of the tanker would be deductible in determining income subject to tax.

- (d) The Port Colborne flour mill of Maple Leaf Milling Company, Limited, having an operating capacity of 12,500 bags per day, was destroyed by fire on October 7, 1960. The fire also destroyed a feed plant and destroyed or damaged certain other facilities. The fire insurance recovery on the plant and equipment is estimated at \$6,500,000 (plus cost of repairs to all machinery, equipment and buildings not totally destroyed and the cost of clearing the site) which is very substantially in excess of the net book value of the plant and equipment destroyed.

A new flour mill, having a capacity of 7,000 bags per day, workhouse, bulk storage and ancillary facilities are being constructed at Port Colborne at an estimated cost of \$5,000,000.

7. Working capital restrictions

Toronto Elevators, Limited

Under the deeds of trust and mortgage securing the first mortgage bonds and general mortgage bonds of Toronto Elevators, Limited, there are covenants relating to the maintenance of working capital; under the more restrictive of these, dividends may not be paid which would have the effect of reducing consolidated working capital (as defined) below \$2,500,000.

Maple Leaf Milling Company, Limited

There are similar covenants relating to the maintenance of working capital under the deed of trust and mortgage securing the first mortgage bonds of Maple Leaf Milling Company, Limited and the supplementary letters patent creating the preference shares of that company; under the more restrictive of these covenants, dividends may not be paid that would have the effect of reducing consolidated working capital (as defined) below \$2,500,000.

Maple Leaf Mills Limited

Under a proposed agreement Maple Leaf Mills Limited would undertake to observe and perform all the covenants given by Toronto Elevators, Limited and Maple Leaf Milling Company, Limited under the above-mentioned deeds of trust and mortgage. The restrictions relating to working capital contained in the supplementary letters patent creating the preference shares of Maple Leaf Milling Company, Limited would also apply to the preference shares Class B of Maple Leaf Mills Limited.

Purity Flour Mills Limited
(Incorporated under the laws of Ontario)
and its subsidiaries

Consolidated Balance Sheet as at July 31, 1960

A S S E T S

Current assets:

Cash.....	\$ 2,185
Accounts receivable, less allowance for doubtful accounts.....	2,019,113
Income taxes recoverable.....	33,667
Inventories valued at the lower of cost or market— Flour, soft wheat, coarse grains, cereals, feed, containers and supplies.....	880,147
Prepaid expenses.....	<u>21,767</u>
Total current assets.....	\$2,956,879

Investments:

Mortgages, properties, long-term loans, trade memberships, sundry investments, etc. at cost, less amounts written off.....	517,290
---	---------

Fixed assets:

Land, buildings on freehold and leasehold properties, plant and equipment at the depreciated replacement valuation as appraised by Canadian Appraisal Co. Limited as of May 30, 1925 with subsequent additions at cost.....	\$6,978,074
Less accumulated depreciation and provision for losses on realization of fixed assets.....	<u>4,388,966</u> 2,589,108

Patents, trade marks and goodwill.....	<u>1</u>
	<u><u>\$6,063,278</u></u>

Purity Flour Mills Limited
(Incorporated under the laws of Ontario)
and its subsidiaries

Consolidated Balance Sheet as at July 31, 1960

LIABILITIES

Current liabilities:

Bankers' advances.....	\$ 93,387
Accounts payable and accrued charges.....	229,181
Taxes payable.....	106,326
Due to parent company on current account.....	<u>227,502</u>
Total current liabilities.....	\$ 656,396

Deferred credit:

Tax reductions applicable to future years.....	62,600
--	--------

Shareholders' equity:

Common shares of \$10 each 183,000 shares (authorized and issued).....	\$1,830,000	
Surplus.....	<u>3,514,282</u>	<u>5,344,282</u>
		<u>\$6,063,278</u>

Maple Leaf Mills Limited
Pro Forma Statement of Combined Earnings of the Amalgamating Companies
Toronto Elevators, Limited
and its subsidiaries
Maple Leaf Milling Company, Limited
and its subsidiaries
(including Purity Flour Mills Limited but excluding controlled bakery companies)
for the Nine Years Ended July 31, 1960

	Year Ended July 31		
	<u>1960</u>	<u>1959</u>	<u>1958</u>
Earnings before dividends from controlled bakery companies, depreciation, interest on funded debt and income taxes.....	\$6,035,940	\$6,912,927	\$5,382,886
Dividends from controlled bakery companies.....	<u>81,394</u>	<u>83,174</u>	<u>60,322</u>
	<u>\$6,117,334</u>	<u>\$6,996,101</u>	<u>\$5,443,208</u>
Deduct:			
Depreciation on plant and equipment.....	\$1,755,534	\$1,691,865	\$1,553,967
Interest on funded debt.....	494,071	464,472	409,311
Income taxes (note 1).....	<u>1,892,500</u>	<u>2,374,900</u>	<u>1,652,700</u>
	<u>\$4,142,105</u>	<u>\$4,531,237</u>	<u>\$3,615,978</u>
Net earnings (notes 2 and 3).....	\$1,975,229	\$2,464,864	\$1,827,230
Deduct provision for dividends on preference shares (note 4).....	<u>102,473</u>	<u>102,512</u>	<u>102,612</u>
Net earnings available for common shares to be outstanding.....	<u>\$1,872,756</u>	<u>\$2,362,352</u>	<u>\$1,724,618</u>
Earnings per common share to be outstanding.....	\$1.25	\$1.57	\$1.15

Notes: 1. As a result of claiming capital cost allowances in excess of recorded depreciation the income taxes payable for the years 1954 to 1960 inclusive are \$1,033,700 less in the aggregate than the income taxes shown above for those years. This amount is included in the balance sheet at July 31, 1960 as "Accumulated tax reductions applicable to future years".

2. The net earnings shown above do not include profits on disposal of capital assets and profits on redemption of sinking fund bonds totalling \$485,059 and \$126,922 respectively.

Maple Leaf Mills Limited
Pro Forma Statement of Combined Earnings of the Amalgamating Companies
Toronto Elevators, Limited
and its subsidiaries
Maple Leaf Milling Company, Limited
and its subsidiaries
(including Purity Flour Mills Limited but excluding controlled bakery companies)
for the Nine Years Ended July 31, 1960

Year Ended July 31					
<u>1957</u>	<u>1956</u>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>
\$4,307,544	\$4,348,841	\$3,870,032	\$4,310,562	\$4,127,388	\$3,780,334
<u>60,322</u>	<u>60,321</u>	<u>60,322</u>	<u>73,540</u>	<u>71,345</u>	<u>70,418</u>
\$4,367,866	\$4,409,162	\$3,930,354	\$4,384,102	\$4,198,733	\$3,850,752
\$1,423,690	\$1,444,779	\$1,409,505	\$1,377,092	\$1,165,486	\$ 910,127
<u>451,040</u>	<u>495,760</u>	<u>540,802</u>	<u>472,931</u>	<u>307,681</u>	<u>260,665</u>
<u>1,152,900</u>	<u>1,188,000</u>	<u>935,000</u>	<u>1,274,500</u>	<u>1,325,400</u>	<u>1,277,500</u>
\$3,027,630	\$3,128,539	\$2,885,307	\$3,124,523	\$2,798,567	\$2,448,292
\$1,340,236	\$1,280,623	\$1,045,047	\$1,259,579	\$1,400,166	\$1,402,460
<u>102,661</u>	<u>102,686</u>	<u>102,702</u>	<u>231,141</u>	<u>360,351</u>	<u>324,044</u>
<u>\$1,237,575</u>	<u>\$1,177,937</u>	<u>\$942,345</u>	<u>\$1,028,438</u>	<u>\$1,039,815</u>	<u>\$1,078,416</u>
\$0.82	\$0.78	\$0.63	\$0.69	\$0.69	\$0.72

3. Maple Leaf Milling Company, Limited controls certain bakery companies through ownership of a majority of their outstanding common shares. As a large proportion of the preferred and common stock and all of the funded obligations of these companies is held by other interests the earnings of the companies have not been included above except to the extent of dividends received. The proportion of these earnings applicable to the holdings of Maple Leaf Milling Company, Limited less the dividends received from these companies were as follows:

1960.....	\$ 95,690	1957.....	\$105,168	1954.....	\$ 74,741
1959.....	211,897	1956.....	61,898	1953.....	277,838
1958.....	220,120	1955.....	100,484	1952.....	118,223

4. These amounts are computed at the dividend rate applicable to the preference shares Class B of Maple Leaf Mills Limited proposed to be outstanding, i.e., $5\frac{1}{2}\%$ (as compared with a rate of 5% applicable to the existing preference shares of Maple Leaf Milling Company, Limited).

Toronto Elevators, Limited

and its subsidiaries

Statement of Consolidated Earnings for the Nine Years Ended July 31, 1960

	Year Ended July 31		
	<u>1960</u>	<u>1959</u>	<u>1958</u>
Earnings from operations before depreciation, interest			
on funded debt and income taxes.....	<u>\$2,649,681</u>	<u>\$3,337,796</u>	<u>\$3,004,267</u>
Deduct:			
Depreciation on plant and equipment.....	\$ 750,416	\$ 738,118	\$ 656,903
Interest on funded debt.....	221,495	191,998	152,796
Income taxes (note 1).....	<u>876,500</u>	<u>1,229,000</u>	<u>1,080,500</u>
	<u>\$1,848,411</u>	<u>\$2,159,116</u>	<u>\$1,890,199</u>
Net earnings (note 2).....	<u><u>\$ 801,270</u></u>	<u><u>\$1,178,680</u></u>	<u><u>\$1,114,068</u></u>
Per common share:			
Earnings (note 3).....	\$1.05	\$1.56	\$1.49
Cash dividends.....	0.50	0.41 $\frac{2}{3}$	0.33 $\frac{1}{3}$

Notes: 1. As a result of claiming capital cost allowances in excess of recorded depreciation the income taxes payable for the years 1954 to 1960 inclusive are \$318,000 less in the aggregate than the income taxes shown above for those years. This amount is included in the balance sheet at July 31, 1960 as "Accumulated tax reductions applicable to future years".

2. The net earnings shown above do not include profits on disposal of capital assets and profits on redemption of first mortgage sinking fund bonds totalling \$367,523 and \$82,971 respectively. As a consequence the net earnings figures shown above differ from those previously reported in the annual statements to shareholders.

Toronto Elevators, Limited

and its subsidiaries

Statement of Consolidated Earnings for the Nine Years Ended July 31, 1960

Year Ended July 31					
<u>1957</u>	<u>1956</u>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>
<u>\$2,240,087</u>	<u>\$2,244,130</u>	<u>\$1,674,582</u>	<u>\$1,716,344</u>	<u>\$1,573,871</u>	<u>\$1,283,278</u>
\$ 671,265	\$ 672,235	\$ 690,215	\$ 707,187	\$ 551,462	\$ 380,834
176,534	200,784	221,790	237,500	133,658	135,301
<u>698,900</u>	<u>658,000</u>	<u>378,000</u>	<u>376,500</u>	<u>445,400</u>	<u>391,500</u>
<u>\$1,546,699</u>	<u>\$1,531,019</u>	<u>\$1,290,005</u>	<u>\$1,321,187</u>	<u>\$1,130,520</u>	<u>\$ 907,635</u>
<u><u>\$ 693,388</u></u>	<u><u>\$ 713,111</u></u>	<u><u>\$ 384,577</u></u>	<u><u>\$ 395,157</u></u>	<u><u>\$ 443,351</u></u>	<u><u>\$ 375,643</u></u>
\$0.93	\$0.96	\$0.52	\$0.53	\$0.60	\$0.51
0.33 $\frac{1}{3}$	0.26 $\frac{2}{3}$	0.26 $\frac{2}{3}$	0.26 $\frac{2}{3}$	0.26 $\frac{2}{3}$	0.25

3. Earnings per common share are based on net earnings for the year divided by the number of common shares outstanding as at the year end adjusted to reflect the 3 for 1 stock split of June 1959.

Maple Leaf Milling Company, Limited

and its subsidiaries

(including Purity Flour Mills Limited but excluding controlled bakery companies)

Statement of Consolidated Earnings for the Nine Years Ended July 31, 1960

	Year Ended July 31		
	1960	1959	1958
Earnings before dividends from controlled bakery companies, depreciation, interest on funded debt, income taxes and minority interest in profit of subsidiary...	\$3,386,259	\$3,575,131	\$2,378,619
Dividends from controlled bakery companies (note 3)...	81,394	83,174	60,322
	<u>\$3,467,653</u>	<u>\$3,658,305</u>	<u>\$2,438,941</u>
Deduct:			
Depreciation on plant and equipment.....	\$1,005,118	\$ 953,747	\$ 897,064
Interest on funded debt.....	272,576	272,474	256,515
Income taxes (note 1).....	1,016,000	1,145,900	572,200
Minority interest in profit of subsidiary.....	505	659	777
	<u>\$2,294,199</u>	<u>\$2,372,780</u>	<u>\$1,726,556</u>
Net earnings (notes 2 and 3).....	\$1,173,454	\$1,285,525	\$ 712,385
Deduct dividends on preference shares.....	93,157	93,193	93,284
Net earnings available for common shares.....	<u>\$1,080,297</u>	<u>\$1,192,332</u>	<u>\$ 619,101</u>
Per common share:			
Earnings.....	\$2.04	\$2.27	\$1.18
Cash dividends.....	0.60	0.50	0.50

Notes: 1. As a result of claiming capital cost allowances in excess of recorded depreciation the income taxes payable for the years 1954 to 1960 inclusive are \$715,700 less in the aggregate than the income taxes shown above for those years. This amount is included in the balance sheet as at July 31, 1960 as "Accumulated tax reductions applicable to future years".

2. The net earnings shown above do not include profits on disposal of capital assets and profits on redemption of sinking fund bonds totalling \$117,536 and \$43,951 respectively. As a consequence, the net earnings figures shown above differ from those previously reported in the annual statements to shareholders.

3. Maple Leaf Milling Company, Limited controls certain bakery companies through ownership of a majority of their outstanding common shares. As a large proportion of the preferred and common shares and all of the funded obligations of these companies

Maple Leaf Milling Company, Limited

and its subsidiaries

(including Purity Flour Mills Limited but excluding controlled bakery companies)

Statement of Consolidated Earnings for the Nine Years Ended July 31, 1960

Year Ended July 31					
1957	1956	1955	1954	1953	1952
\$2,067,457	\$2,104,711	\$2,195,450	\$2,594,218	\$2,553,517	\$2,497,056
60,322	60,321	60,322	73,540	71,345	70,418
<u>\$2,127,779</u>	<u>\$2,165,032</u>	<u>\$2,255,772</u>	<u>\$2,667,758</u>	<u>\$2,624,862</u>	<u>\$2,567,474</u>
752,425	\$ 772,544	\$ 719,290	\$ 669,905	\$ 614,024	\$ 529,293
274,506	294,976	319,012	235,431	174,023	125,364
454,000	530,000	557,000	898,000	880,000	886,000
842	1,596	1,224	2,656	2,172	54,611
<u>\$1,481,773</u>	<u>\$1,599,116</u>	<u>\$1,596,526</u>	<u>\$1,805,992</u>	<u>\$1,670,219</u>	<u>\$1,595,268</u>
\$ 646,006	\$ 565,916	\$ 659,246	\$ 861,766	\$ 954,643	\$ 972,206
93,328	93,351	93,365	210,128	327,592	294,586
<u>\$ 552,678</u>	<u>\$ 472,565</u>	<u>\$ 565,881</u>	<u>\$ 651,638</u>	<u>\$ 627,051</u>	<u>\$ 677,620</u>
\$1.06	\$0.90	\$1.08	\$1.24	\$1.20	\$1.29
0.50	0.50	0.50	0.50	0.25	0.50

are held by other interests the earnings of the companies have not been included above except to the extent of dividends received. The proportion of these earnings applicable to the holdings of Maple Leaf Milling Company, Limited less the dividends received from these companies were as follows:

1960.....	\$ 95,690	1955.....	\$100,484
1959.....	211,897	1954.....	74,741
1958.....	220,120	1953.....	277,838
1957.....	105,168	1952.....	118,223
1956.....	61,898		

4. Earnings per common share are based on net earnings available for common shares for the year divided by the number of common shares outstanding as at the year end.

Purity Flour Mills Limited

and its subsidiaries

Statement of Consolidated Earnings for the Nine Years Ended July 31, 1960

	Year Ended July 31		
	<u>1960</u>	<u>1959</u>	<u>1958</u>
Earnings before depreciation, interest on funded debt and income taxes.....	<u>\$622,710</u>	<u>\$625,283</u>	<u>\$419,394</u>
Deduct:			
Depreciation on plant and equipment.....	\$264,559	\$250,576	\$230,666
Interest on funded debt.....	2,306	5,799	11,504
Income taxes (note 1).....	<u>162,910</u>	<u>176,300</u>	<u>58,400</u>
	<u>\$429,775</u>	<u>\$432,675</u>	<u>\$300,570</u>
Net earnings (note 2).....	<u>\$192,935</u>	<u>\$192,608</u>	<u>\$118,824</u>
Per common share:			
Earnings.....	\$1.05	\$1.05	\$0.65
Cash dividends.....	Nil	Nil	Nil

Notes: 1. As a result of claiming capital cost allowances in excess of recorded depreciation the income taxes payable for the years 1954 to 1960 inclusive are \$62,600 less in the aggregate than the income taxes shown above for those years. This amount is included in the balance sheet at July 31, 1960 as "Tax reductions applicable to future years".

2. The net earnings shown above do not include profits on disposal of capital assets totalling \$97,002.

Purity Flour Mills Limited

and its subsidiaries

Statement of Consolidated Earnings for the Nine Years Ended July 31, 1960

Year Ended July 31					
<u>1957</u>	<u>1956</u>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>
\$481,576	\$665,690	\$403,232	\$657,399	\$540,442	\$842,673
198,164	221,141	201,331	199,765	218,200	215,035
17,279	23,048	28,769	70,705	78,328	28,193
126,840	198,000	69,000	206,000	124,000	312,000
\$342,283	\$442,189	\$299,100	\$476,470	\$420,528	\$555,228
\$139,293	\$223,501	\$104,132	\$180,929	\$119,914	\$287,445
\$0.76	\$1.22	\$0.57	\$0.99	\$0.66	\$1.57
Nil	Nil	Nil	Nil	Nil	Nil

3. Under the terms of an agreement dated August 1, 1956 the company and its parent, Maple Leaf Milling Company, Limited, integrated their operations which are now carried on by the latter company for the joint account of the two companies.

4. Earnings per common share are based on net earnings for the year divided by the number of common shares outstanding as at the year end.

Amalgamation Agreement

THIS AGREEMENT made as of the 13th day of February, 1961.

B E T W E E N :

TORONTO ELEVATORS, LIMITED
hereinafter called "Toronto Elevators"

OF THE FIRST PART,

MAPLE LEAF MILLING COMPANY, LIMITED
hereinafter called "Maple Leaf"

OF THE SECOND PART

and

PURITY FLOUR MILLS LIMITED
hereinafter called "Purity"

OF THE THIRD PART.

WHEREAS Toronto Elevators was incorporated under The Companies Act (Ontario) by letters patent dated November 15, 1928, Maple Leaf was incorporated under The Ontario Companies Act by letters patent dated March 16, 1910 and Purity was incorporated under The Ontario Companies Act by letters patent dated May 30, 1905 as Western Canada Flour Mills Company Limited, its name having been changed by supplementary letters patent dated February 12, 1945 to Purity Flour Mills Limited;

AND WHEREAS the authorized capital of Toronto Elevators following the issue to it of supplementary letters patent dated June 13, 1959 consists of 1,000,000 common shares without par value whereof 762,696 are outstanding as fully paid shares and the remaining 237,304 thereof are unissued;

AND WHEREAS the authorized capital of Maple Leaf upon the issue to it of supplementary letters patent dated July 23, 1951 consisted of 8,000,000 5% Cumulative Redeemable Preference Shares with a par value of One Dollar each (none of which were then issued) and Six Hundred Thousand Common Shares without par value;

AND WHEREAS Maple Leaf issued 6,768,268 of the said 5% Cumulative Redeemable Preference Shares with a par value of One Dollar each as fully paid shares;

AND WHEREAS thereafter further supplementary letters patent dated April 1, 1952 issued to Maple Leaf which consolidated the 8,000,000 issued and unissued 5% Cumulative Redeemable Preference Shares with a par value of One Dollar each into 80,000 5% Cumulative Redeemable Preference Shares with a par value of One Hundred Dollars each and provided that for any fraction of a 5% Cumulative Redeemable Preference Share with a par value of One Hundred Dollars each resulting from such consolidation Maple Leaf should issue a transferable bearer fractional certificate entitling the bearer on surrender thereof with other like fractional certificates aggregating one of such shares to receive a certificate for one such share together with any dividends declared and unpaid on such share to the time of such surrender;

AND WHEREAS Maple Leaf has since purchased for cancellation and has cancelled, pursuant to the provisions thereto attached, 49,055.64 of the said issued 5% Cumulative Redeemable Preference Shares with a par value of One Hundred Dollars each so that there are presently issued and outstanding as fully paid up and non-assessable 18,627.04 of such 5% Cumulative Redeemable Preference Shares with a par value of One Hundred Dollars each (represented in part by share certificates for such shares, in part by share certificates for the former one dollar par value preference shares not surrendered for cancellation and the balance by fractional certificates), and the remaining 12,317.32 thereof are unissued;

AND WHEREAS 534,984 of the said Common Shares of Maple Leaf are outstanding as fully paid shares and the remaining 65,016 thereof are unissued;

AND WHEREAS the authorized capital of Purity upon the issue to it of the said supplementary letters patent dated February 12, 1945 consisted of 48,000 Cumulative Redeemable Preference Shares with a par value of \$40 each, all issued and outstanding as fully paid shares, and 183,000 Common Shares of the par value of \$10 each, all issued and outstanding as fully paid shares;

AND WHEREAS all the said 48,000 Preference Shares of Purity have since been redeemed and cancelled pursuant to the provisions thereto attached;

AND WHEREAS the presently authorized capital and outstanding shares of the parties hereto, after giving effect to the aforesaid redemptions, is as follows:

	<u>Authorized</u>	<u>Outstanding</u> (all fully paid)
Toronto Elevators		
common shares without par value.	1,000,000	762,696
Maple Leaf		
5% Cumulative Redeemable Preference Shares with a par value of One Hundred Dollars each.	30,944.36	18,627.04
Common Shares without par value.	600,000	534,984
Purity		
Common Shares with a par value of \$10 each.	183,000	183,000

AND WHEREAS of the said 183,000 Common Shares of Purity 182,605 shares (including seven shares registered in the names of directors as directors qualifying shares) are owned by Maple Leaf, 182,598 thereof being registered in the name of Maple Leaf in the books of Purity and the said seven directors qualifying shares being respectively registered in such books, one share each, in the names of J. Elder, J. S. Fisher, W. B. Foster, H. V. Hawkins, G. M. MacLachlan, G. A. Scrimger and C. E. Soward;

AND WHEREAS the parties hereto have agreed to amalgamate pursuant to the provisions in that behalf of The Corporations Act;

NOW THEREFORE THIS AGREEMENT WITNESSETH AS FOLLOWS:

1. The parties hereto hereby agree to amalgamate under the provisions of Section 96 of The Corporations Act, being chapter 71 of the Revised Statutes of Ontario, 1960, and to continue as one company, hereinafter referred to as the "amalgamated company".
2. The name of the amalgamated company shall be

MAPLE LEAF MILLS LIMITED

and its objects shall be as follows:

TO carry on in any or all of their branches, as principals or agents or otherwise, any or all of the businesses of millers, manufacturers, growers, buyers, sellers, processors, importers, exporters, suppliers, producers, developers, traders and dealers in any other way whatsoever in or with commodities, goods, wares, merchandise and things of any kind or nature whatsoever including in particular, but

without limitation, grain, cereals and other products of the soil of any kind or nature; and to carry on business as farmers, elevator operators, warehousemen, shipowners, ship operators, carriers, operators of other means of transportation, forwarders, wharfingers, contractors, suppliers of service of any kind, brokers and commission or other agents.

3. The authorized capital of the amalgamated company shall consist of:
 - (a) a class of 75,000 preference shares with a par value of one hundred dollars (\$100) each which shall be designated "Preference Shares Class A" and which shall be issuable from time to time in one or more series;
 - (b) a class of 18,628 preference shares with a par value of one hundred dollars (\$100) each which shall be designated "Preference Shares Class B"; and
 - (c) 4,000,000 common shares without par value.
4. The preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the said Preference Shares Class A of the amalgamated company as a class shall be as set out in Schedule A to this agreement.
5. The preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the said Preference Shares Class B of the amalgamated company shall be as set out in Schedule B to this agreement.
6. Each of the 762,696 issued and outstanding common shares without par value of Toronto Elevators shall be converted into one (1) fully paid issued and outstanding common share without par value of the amalgamated company.
7. The issued and outstanding shares of Maple Leaf shall be converted into issued and outstanding shares of the amalgamated company on the following basis:
 - (a) the issued and outstanding 18,627.04 5% Cumulative Redeemable Preference Shares with a par value of One Hundred Dollars each of Maple Leaf shall be converted share for share and fraction for fraction into 18,627.04 fully paid issued and outstanding Preference Shares Class B with a par value of one hundred dollars each of the amalgamated company; the fixed cumulative preferential cash dividends on such Preference Shares of Maple Leaf shall accrue to the date of the letters patent amalgamating the parties hereto and the fixed preferential cumulative cash dividends on such Preference Shares Class B of the amalgamated company shall accrue and be cumulative from the like date;
 - (b) each fractional certificate in respect of a fraction of a Preference Share Class B with a par value of one hundred dollars of the amalgamated company resulting from such conversion shall entitle the bearer on surrender of such fractional certificate with other like fractional certificates aggregating one of such shares of the amalgamated company to receive, in addition to a certificate for one such share, any dividends declared and unpaid to the time of such surrender on such share or on the share of Maple Leaf which was converted into such share;
 - (c) each of the 534,984 issued and outstanding Common Shares without par value of Maple Leaf shall be converted into one and four-tenths (1.4) fully paid issued and outstanding common shares without par value of the amalgamated company.
8. The authorized capital of Purity shall be decreased by the cancellation of 182,605 of its issued and outstanding Common Shares with a par value of \$10 each which are owned by Maple Leaf and which include seven of such shares registered in the names of directors as directors qualifying shares.
9. Each of the remaining issued and outstanding 395 Common Shares with a par value of \$10 each of Purity (its remaining authorized capital) shall be converted into one and three-quarters (1.75) fully paid issued and outstanding common shares without par value of the amalgamated company.
10. The aggregate consideration for the issue of the 4,000,000 common shares without par value of the amalgamated company shall not exceed in amount or value the sum of \$20,000,000 or such greater amount as the

board of directors of the amalgamated company may deem expedient on payment to the Provincial Treasurer of the fees payable on such greater amount and the issuance by the Provincial Secretary of a certificate of such payment.

11. As soon as conveniently may be after the amalgamation hereby provided for shall be effective, the respective shareholders of the parties hereto shall be entitled to receive share certificates and/or fractional certificates of the amalgamated company in exchange for the corresponding certificates of Toronto Elevators, Maple Leaf or Purity in accordance with the foregoing provisions hereof.

12. The head office of the amalgamated company shall be at the City of Toronto in the County of York.

13. The by-laws and special resolutions of Purity of general application shall, unless inapplicable in their context to the amalgamated company or inconsistent with an express provision of this agreement, be the first by-laws and special resolutions of the amalgamated company subject to repeal or amendment in the manner provided by The Corporations Act.

14. The first directors of the amalgamated company shall be the following persons:

<u>Name</u>	<u>Calling</u>	<u>Residence</u>
Harry Norman Bawden.....	Investment Dealer.....	Toronto, Ontario.
Richard Coulton Berkinshaw.....	Executive.....	Toronto, Ontario.
Everett Bristol.....	Barrister.....	Toronto, Ontario.
Gordon Peter Campbell.....	Barrister.....	Toronto, Ontario.
Frederick Thomas Carnegie.....	Executive.....	Township of York, Ontario.
Allan Douglas Clark.....	Executive.....	Toronto, Ontario.
Harold Ross Cook.....	Executive.....	Toronto, Ontario.
Peter Gordon Kingsburgh.....	Chartered Accountant.....	Toronto, Ontario.
John Daniel Leitch.....	Executive.....	Toronto, Ontario.
Graham Martin MacLachlan.....	Executive.....	Toronto, Ontario.
Bruce Arthur Norris.....	Executive.....	Chicago, Illinois.
Stuart Bryce Playfair.....	Executive.....	Toronto, Ontario.
Frederick William Presant.....	Executive.....	Toronto, Ontario.
Clifford Edwin Soward.....	Executive.....	Toronto, Ontario.
Kenneth Francis Wadsworth.....	Executive.....	Toronto, Ontario.

who shall severally hold office until the first annual meeting of the amalgamated company or until the appointment of a successor.

15. The election of subsequent directors of and the management, working and control of the amalgamated company shall be in accordance with the provisions of The Corporations Act.

16. Excepting always the shares of Purity owned by Maple Leaf which shall be cancelled as hereinbefore provided, each of the parties hereto shall contribute to the amalgamated company all its assets subject to all its liabilities and more particularly, but without limitation of the foregoing, the assets and liabilities respectively shown in the respective balance sheets of the parties hereto as at July 31, 1960 as changed since that date in the carrying on of the respective businesses of the parties hereto.

17. The amalgamated company shall possess all the property, rights, privileges, franchises and undertakings and shall be subject to all the liabilities, contracts, disabilities, debts and obligations of each of the parties hereto.

18. All rights of creditors against and all liens upon the respective property, rights and assets or any thereof of the parties hereto shall be unimpaired by the amalgamation hereby provided for and all debts, contracts, liabilities and duties of each of the parties hereto shall thenceforth attach to and be obligations of the amalgamated company enforceable against it.

19. No action or proceeding which may be pending against any of the parties hereto when the amalgamation hereby provided for becomes effective shall abate in consequence thereof.

20. Following the adoption of this agreement by the shareholders of each of the parties hereto in accordance with the provisions of Section 96 of The Corporations Act the parties hereto shall jointly apply to the Lieutenant-Governor of the Province of Ontario for letters patent confirming this agreement and amalgamating the parties hereto.

21. The parties hereto may, by resolution of their respective directors, assent to any variation, alteration or modification of the provisions of this agreement which may be required by the shareholders of the respective parties hereto upon the adoption of this agreement or which may be required by the Provincial Secretary of Ontario and references herein to this agreement shall be construed to mean and shall refer to this agreement as so varied, altered or modified.

IN WITNESS WHEREOF this agreement has been duly executed by the parties hereto under their respective corporate seals and the hands of their respective proper officers in that behalf.

TORONTO ELEVATORS, LIMITED

by (signed) J. D. Leitch

President

(signed) F. T. Carnegie

Secretary

(Corporate Seal)

MAPLE LEAF MILLING COMPANY, LIMITED

by (signed) C. E. Soward

President

W. J. Smallacombe

Secretary

(Corporate Seal)

PURITY FLOUR MILLS LIMITED

by (signed) C. E. Soward

President

(signed) W. J. Smallacombe

Secretary

(Corporate Seal)

SCHEDULE A

to the agreement made as of the 13th day of February, 1961 between Toronto Elevators, Limited, Maple Leaf Milling Company, Limited and Purity Flour Mills Limited providing for their amalgamation, being the preferences, rights, conditions, restrictions, limitations and prohibitions to attach to the Preference Shares Class A of the amalgamated company as a class.

(1) Where any dividends on or amounts payable on a repayment of capital in respect of the Preference Shares Class A of the Company or the Preference Shares Class B of the Company are not paid in full, the Preference Shares Class B and the shares of all series of the Preference Shares Class A shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and on any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; and for all purposes of these provisions and the provisions from time to time attaching to any series of the Preference Shares Class A as a series the Preference Shares Class A and the Preference Shares Class B shall be deemed to rank on a parity;

(2) The Preference Shares Class A may from time to time be issued in one (1) or more series as the directors may determine and, subject to the following provisions and to the issue of Supplementary Letters Patent, the directors may fix from time to time before the issue of any Preference Shares Class A of a series the number of shares which is to comprise such series, the designation thereof and the preferences, rights, conditions, restrictions, limitations or prohibitions (hereinafter sometimes collectively referred to as the "conditions") attaching to the Preference Shares Class A of such series;

(3) The holders of the Preference Shares Class A of any series shall be entitled to receive and the Company shall pay to them, as and when declared by the directors out of moneys of the Company properly applicable to the payment of dividends, fixed preferential cumulative cash dividends at such rate or rates per annum on the amounts from time to time paid up thereon, payable quarterly on such dates, as shall be provided by the conditions attaching to the Preference Shares Class A of that series; such dividends shall accrue and be cumulative from such date or dates as may be provided by the conditions attaching to the Preference Shares Class A of the series of which they form part or, in the absence of such provision, from such date or dates not later than six (6) months after the respective dates of issue as may in the case of each issue be determined by the directors and in case no date is so determined then from the date of allotment; the holders of the Preference Shares Class A of whatever series shall not be entitled to any dividends other than or in excess of the fixed preferential cumulative cash dividends herein provided for; if on any dividend payment date the Company shall not have paid the said dividends in full on all Preference Shares Class A then outstanding such dividends or the unpaid part thereof shall be paid on a subsequent date or dates, in priority to dividends on any other shares of the Company except the Preference Shares Class B, and no dividends shall be declared or paid on or set apart for any such other shares except the Preference Shares Class B unless all cumulative dividends on the Preference Shares Class A then outstanding accrued to the last dividend payment date shall have been declared and paid or provided for at the date of such declaration or payment or setting apart;

(4) The holders of the Preference Shares Class A of each series shall be entitled on the liquidation, dissolution or winding up of the Company or other distribution of its assets among its shareholders for the purpose of winding up its affairs to receive, before any distribution shall be made to the holders of any shares of the Company other than the Preference Shares Class A and the Preference Shares Class B, the amount paid up on their shares together with an amount equal to all accrued and unpaid dividends thereon (which for such purpose shall be treated as accruing to the date of distribution), whether or not earned or declared, and, if such liquidation, dissolution, winding up or other distribution be voluntary, such premium, if any, as may be provided by the conditions attaching to the Preference Shares Class A of that series; the holders of the Preference Shares Class A shall not be entitled to any further participation in the assets of the Company;

(5) If and whenever the Company shall be in default in paying six (6) quarterly dividend instalments, whether consecutive or not and whether or not earned or declared, on the Preference Shares Class A of any one (1) series and so long thereafter as any dividends on any Preference Shares Class A remain in arrears, each holder of a Preference Share Class A shall be entitled at all general meetings of shareholders of the Company to one (1) vote for each Preference Share Class A held by him and, in addition, the holders of the Preference Shares Class A shall be entitled, as a class, to elect two (2) members of the board of directors of the Company; save as aforesaid and except as hereinafter specifically provided, the holders of the Preference Shares Class A shall have no voting rights in respect thereof; the holders of the Preference Shares Class A shall not be entitled to receive notice of or to attend any meetings of shareholders of the Company except those at which they are entitled to vote and those called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof, but the Company shall mail to them copies of the financial statements, of the auditors' report and of the directors' report thereon submitted to annual meetings of shareholders;

(6) Notwithstanding anything contained in the by-laws of the Company, all directors of the Company in office at the time when voting rights shall accrue to the holders of the Preference Shares Class A under the preceding clause hereof or who may become directors thereafter and prior to a meeting of shareholders hereinafter referred to shall retire at the next annual meeting of shareholders or at an earlier general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such voting rights; any such general meeting of shareholders may be held upon not less than twenty (20) days' written notice and shall be called by the secretary of the Company upon written request of the holders of record of at least one-tenth (1/10) of the outstanding Preference Shares Class A; in default of the calling of such general meeting by the secretary within five (5) days after the making of such request, it may be called by any holder of record of Preference Shares Class A; any vacancy occurring among members of the board of directors elected to represent the holders of Preference Shares Class A in accordance with the foregoing provisions may be filled by the board with the consent and approval of the remaining director elected in accordance with the foregoing provisions to represent the holders of Preference Shares Class A but if there be no such remaining director the board may elect a holder or holders of Preference Shares Class A to fill the vacancy or vacancies; the holders of record of at least one-fifth

(1/5) of the outstanding Preference Shares Class A shall have the right to require the secretary of the Company to call a meeting of the holders of the Preference Shares Class A for the purpose of filling such vacancy or vacancies not filled by the board or for the purpose of replacing either or both of the persons elected by the board to fill such vacancy or vacancies and the foregoing provisions of this clause shall apply in respect of the calling of such meeting which otherwise shall be called and held in accordance with the by-laws of the Company; notwithstanding anything contained in the by-laws of the Company, upon any termination of the voting rights of the holders of the Preference Shares Class A as herein provided the term of office of the directors elected to represent the holders of Preference Shares Class A shall forthwith terminate;

(7) The conditions attaching to the Preference Shares Class A of each series shall reserve to the Company the right to redeem the Preference Shares Class A of such series in whole or in part from time to time at such redemption prices and upon and subject to such terms and restrictions as may be provided therein;

(8) Whenever the Company determines to redeem any Preference Shares Class A, notice of redemption shall be given by the Company by a letter or circular mailed by prepaid ordinary surface or air mail in an envelope addressed to each person who, at the date of such mailing is the registered holder of Preference Shares Class A to be redeemed, at his last address appearing upon the register, not less than thirty (30) clear days prior to the redemption date; provided that accidental failure to give any such notice to one (1) or more of such holders shall not affect the validity of the redemption; every such notice shall specify the redemption date, the redemption price and, unless all the Preference Shares Class A held by the person to whom it is addressed are to be redeemed, the number so to be redeemed and shall state that the redemption price will be paid to the respective registered holders of the Preference Shares Class A so called for redemption on presentation and surrender of the certificates representing such shares at the place or at one (1) of the places of payment named in the notice and that dividends shall cease to accrue upon the said shares from and after the redemption date; on and after the redemption date the Company shall pay or cause to be paid to or to the order of the holders of the Preference Shares Class A called for redemption the redemption price on presentation and surrender of the respective certificates representing such shares at the place or at one (1) of the places named in the notice; such payments shall be made by cheque payable at par at any branch in Canada of the Company's bankers; if a part only of the Preference Shares Class A represented by any certificate be redeemed, a new certificate for the balance shall be issued; from and after the redemption date specified in any such notice, the Preference Shares Class A called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be duly made by the Company; at any time after notice of redemption is given as aforesaid, the Company shall have the right to deposit the redemption price of the Preference Shares Class A to be redeemed at the principal office in the City of Toronto of a chartered bank of Canada or of a trust company carrying on business in the Province of Ontario, as may be specified in the notice of redemption, in a special account for the holders of such shares, and upon such deposit being made the Preference Shares Class A in respect of which it is made shall be redeemed and the rights of each holder thereof shall be limited to receiving, without interest, his proportionate part of the total redemption price so deposited upon presentation and surrender of the certificate or certificates held by him; any interest on such deposit shall belong to the Company;

(9) Subject to the conditions attaching to the Preference Shares Class A of any series, the Company may from time to time purchase for cancellation some or all of the Preference Shares Class A in the market or upon any recognized stock exchange on which such shares are traded or pursuant to tenders received by the Company upon request for tenders addressed to all holders of record of Preference Shares Class A of any series, at the lowest price at which in the opinion of the directors such shares are obtainable, but not exceeding an amount per share equal to the redemption price at the date of purchase, plus reasonable costs of purchase; if upon any such request for tenders for Preference Shares Class A of any series the Company shall receive two or more tenders of such shares at the same price and which shares, when added to any shares tendered at a lower price or prices, aggregate more than the amount for which the Company is prepared to accept tenders, then if any of the shares so tendered at the same price are purchased by the Company they shall be purchased pro rata from the holders so tendering at the same price, disregarding fractions; and

(10) No application for Supplementary Letters Patent to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares Class A as a class or to create preference shares

ranking in priority to or on a parity with the Preference Shares Class A shall be made by the Company without, but any such application may be made with, the authorization of the holders of the Preference Shares Class A, in addition to the authorization by special resolution; the authorization of the holders of the Preference Shares Class A may be given by at least two-thirds of the votes cast at a meeting of the holders of the outstanding Preference Shares Class A duly called for that purpose upon at least ten (10) days' notice; each holder of a Preference Share Class A shall be entitled to one (1) vote at any such meeting in respect of each Preference Share Class A held and the presence in person or by proxy of the holders of at least fifty-one per cent (51%) of the Preference Shares Class A then outstanding shall constitute a quorum for any such meeting; provided that if at any such meeting a quorum is not present within thirty (30) minutes after the time appointed for such meeting it shall be adjourned to such date not less than fifteen (15) days thereafter and to such time and place as may be designated by the chairman of the meeting and not less than seven (7) days' notice shall be given of such adjourned meeting; at such adjourned meeting the holders of Preference Shares Class A present or represented by proxy shall constitute a quorum and a resolution passed by at least two-thirds of the votes cast at such adjourned meeting shall constitute the authorization of the holders of the Preference Shares Class A; subject to the foregoing, every such meeting shall be called and held in accordance with the by-laws of the Company.

SCHEDULE B

to the agreement made as of the 13th day of February, 1961 between Toronto Elevators, Limited, Maple Leaf Milling Company, Limited and Purity Flour Mills Limited providing for their amalgamation, being the preferences, rights, conditions, restrictions, limitations and prohibitions to attach to the Preference Shares Class B of the amalgamated company.

(1) Where any dividends on or amounts payable on a repayment of capital in respect of the Preference Shares Class A of the Company or the Preference Shares Class B of the Company are not paid in full, the Preference Shares Class B and the shares of all series of the Preference Shares Class A shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and on any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; and for all purposes of these provisions the Preference Shares Class A and the Preference Shares Class B shall be deemed to rank on a parity;

(2) The holders of the Preference Shares Class B shall be entitled to receive and the Company shall pay to them, as and when declared by the directors out of moneys of the Company properly applicable to the payment of dividends, fixed preferential cumulative cash dividends at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the amounts from time to time paid up thereon, payable quarterly on the first (1st) days of January, April, July and October by cheque of the Company payable at par at any branch in Canada of one or more of the Company's bankers for the time being; such dividends shall accrue and be cumulative from the date of these Letters Patent; the holders of the Preference Shares Class B shall not be entitled to any dividends other than or in excess of the fixed preferential cumulative cash dividends herein provided for; if on any dividend payment date the Company shall not have paid the said dividends in full on all Preference Shares Class B then outstanding such dividends or the unpaid part thereof shall be paid on a subsequent date or dates, in priority to dividends on any other shares of the Company except the Preference Shares Class A, and no dividends shall be declared or paid on or set apart for any such other shares except the Preference Shares Class A unless all cumulative dividends on the Preference Shares Class B then outstanding accrued to the last dividend payment date shall have been declared and paid or provided for at the date of such declaration or payment or setting apart;

(3) The holders of the Preference Shares Class B shall be entitled on the liquidation, dissolution or winding up of the Company or other distribution of its assets among its shareholders for the purpose of winding up its affairs to receive, before any distribution shall be made to the holders of any shares of the Company other than the Preference Shares Class A and the Preference Shares Class B the amount paid up on their shares together with an amount equal to all accrued and unpaid dividends thereon (which for such purpose shall be treated as accruing to the date of distribution), whether or not earned or declared, and, if such liquidation, dissolution, winding up or other distribution be voluntary, a premium of four per cent (4%) of the amount paid up thereon;

the holders of the Preference Shares Class B shall not be entitled to any further participation in the assets of the Company;

(4) At all meetings of shareholders the holders of the Preference Shares Class B shall be entitled to one (1) vote for each Preference Share Class B held and the holders of the common shares shall be entitled to one (1) vote for each common share held;

(5) The Company shall have the right to redeem at any time the whole or from time to time any lesser number of the Preference Shares Class B then outstanding on payment for each share to be redeemed of the amount paid up thereon with a premium of four per cent (4%) thereof and an amount equal to all accrued and unpaid dividends on such share, whether or not earned or declared, which dividends for such purpose shall be treated as accruing to the date of redemption, the whole constituting the redemption price;

(6) Whenever the Company determines to redeem any Preference Shares Class B, notice of redemption shall be given by the Company by a letter or circular mailed by prepaid ordinary surface or air mail in an envelope addressed to each person who, at the date of such mailing is the registered holder of Preference Shares Class B to be redeemed, at his last address appearing upon the register, not less than thirty (30) clear days prior to the redemption date; provided that accidental failure to give any such notice to one (1) or more of such holders shall not affect the validity of the redemption; every such notice shall specify the redemption date, the redemption price and, unless all the Preference Shares Class B held by the person to whom it is addressed are to be redeemed, the number so to be redeemed and shall state that the redemption price will be paid to the respective registered holders of the Preference Shares Class B so called for redemption on presentation and surrender of the certificates representing such shares at the place or at one (1) of the places of payment named in the notice and that dividends shall cease to accrue upon the said shares from and after the redemption date; on and after the redemption date the Company shall pay or cause to be paid to or to the order of the holders of the Preference Shares Class B called for redemption the redemption price on presentation and surrender of the respective certificates representing such shares at the place or at one (1) of the places named in the notice; such payments shall be made by cheque payable at par at any branch in Canada of the Company's bankers; if a part only of the Preference Shares Class B represented by any certificate be redeemed, a new certificate for the balance shall be issued; from and after the redemption date specified in any such notice, the Preference Shares Class B called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be duly made by the Company; at any time after notice of redemption is given as aforesaid, the Company shall have the right to deposit the redemption price of the Preference Shares Class B to be redeemed at the principal office in the City of Toronto of a chartered bank of Canada or of a trust company carrying on business in the Province of Ontario, as may be specified in the notice of redemption, in a special account for the holders of such shares, and upon such deposit being made the Preference Shares Class B in respect of which it is made shall be redeemed and the rights of each holder thereof shall be limited to receiving, without interest, his proportionate part of the total redemption price so deposited upon presentation and surrender of the certificate or certificates held by him; any interest on such deposit shall belong to the Company;

(7) The Company may from time to time purchase for cancellation some or all of the Preference Shares Class B in the market or upon any recognized stock exchange on which such shares are traded or pursuant to tenders received by the Company upon request for tenders addressed to all holders of record of Preference Shares Class B, at the lowest price at which in the opinion of the directors such shares are obtainable, but not exceeding an amount per share equal to the redemption price at the date of purchase, plus reasonable costs of purchase; if upon any such request for tenders for Preference Shares Class B the Company shall receive two or more tenders of such shares at the same price and which shares, when added to any shares tendered at a lower price or prices, aggregate more than the amount for which the Company is prepared to accept tenders, then if any of the shares so tendered at the same price are purchased by the Company they shall be purchased pro rata from the holders so tendering at the same price, disregarding fractions;

(8) On or before the 1st day of December in each year commencing with the year 1962 the Company shall set aside in its books out of Consolidated Net Earnings of the last preceding fiscal year of the Company as a sinking fund solely for the redemption of the Preference Shares Class B a sum equal to twelve and one-half per cent

(12½%) of such Consolidated Net Earnings; for the purpose of this clause (8) only, Consolidated Net Earnings shall be as defined in clause (11) hereof but after deducting therefrom the amount of dividends accrued on the Preference Shares Class B and the Preference Shares Class A and any other shares (if any) ranking on a parity therewith for such last preceding fiscal year (whether or not paid) and also after deducting the amount of accrued and unpaid dividends on such shares for any other preceding fiscal year or years to the extent that deduction has not been previously made therefor in calculating sinking fund amounts; the Company may use and apply the amount from time to time to the credit of the sinking fund either in the purchase of Preference Shares Class B pursuant to the provisions of clause (7) hereof or in the redemption of Preference Shares Class B pursuant to the provisions of clauses (5) and (6) hereof, and the Company shall use and apply the amount to the credit of the sinking fund for redemption as aforesaid of Preference Shares Class B whenever such amount is at least two hundred thousand dollars (\$200,000); the Company may at any time anticipate the whole or any part of such sinking fund obligations by purchasing or redeeming Preference Shares Class B pursuant to the aforesaid provisions in that behalf and applying the cost of such purchase or redemption in reduction of the amounts thereafter required to be set aside to the credit of the sinking fund and shall be deemed to have so anticipated such sinking fund obligations on the date of these Letters Patent by the sum of three million five hundred thousand dollars (\$3,500,000); pending the application as hereinbefore provided of any amount or amounts set aside to the credit of the sinking fund, the same may be used in the business of the Company and need not be kept separate from the other moneys of the Company;

(9) So long as any of the Preference Shares Class B are outstanding the Company shall not without, but may from time to time with, the approval of the holders of the Preference Shares Class B:

- (a) purchase or redeem any of the Preference Shares Class B or any of the Preference Shares Class A or any other shares (if any) ranking junior to or ranking on a parity with the Preference Shares Class B or set aside any sinking fund payment for the benefit of the holders of any shares ranking junior to the Preference Shares Class B unless all dividends on the Preference Shares Class B then issued and outstanding shall have been declared and paid or provided for to and including the then last preceding dividend payment date and the requirements of clause (8) hereof in respect of the sinking fund therein provided for have been complied with;
- (b) declare or pay or set apart otherwise than by way of stock dividend any dividend on or for the common shares of the Company or any other shares (if any) ranking junior to the Preference Shares Class B at any time when Consolidated Net Current Assets are less than, or if payment of such dividend would reduce them to less than, two million five hundred thousand dollars (\$2,500,000) or redeem any shares ranking junior to the Preference Shares Class B at any time when Consolidated Net Current Assets are less than, or if such redemption would reduce them to less than, an amount equal to the total par value of the then outstanding Preference Shares Class B and Preference Shares Class A and any other then outstanding shares (if any) ranking in priority thereto or on a parity therewith or two million five hundred thousand dollars (\$2,500,000) whichever is the greater; provided that in ascertaining Consolidated Net Current Assets the directors shall be entitled to rely upon a determination thereof as of the close of the last preceding fiscal year of the Company as approved by the Company's auditors, with such adjustments as the directors consider proper having regard to any changes which may have occurred since the close of such fiscal year;
- (c) declare or pay or set apart any dividends on or for the common shares of the Company or any other shares (if any) ranking junior to the Preference Shares Class B or redeem any shares ranking junior to the Preference Shares Class B at any time when the total of all surpluses available for payment of dividends on the Preference Shares Class B is less than or if such payment or redemption would reduce such total to less than an amount equal to twice the annual dividend requirements on all the then outstanding Preference Shares Class B and Preference Shares Class A and any other then outstanding shares (if any) ranking in priority to or on a parity therewith;
- (d) permit any Subsidiary to issue any additional shares of such Subsidiary except to the Company or to another Subsidiary;

- (e) sell or permit any Subsidiary to sell except to the Company or to another Subsidiary any preference shares of any Subsidiary held by the Company or by another Subsidiary;
- (f) allot or issue by way of stock dividend any shares of the Company ranking in priority to or on a parity with the Preference Shares Class B;
- (g) issue any shares of the Company:
 - (i) ranking in priority to the Preference Shares Class B; or
 - (ii) ranking on a parity with the Preference Shares Class B unless the average of Consolidated Net Earnings on the basis of a consolidation of the accounts of the Company and all corporations which will be Subsidiaries immediately after such issue for the three (3) fiscal years of the Company last preceding such issue shall be at least equal to two and one-half ($2\frac{1}{2}$) times the aggregate of the annual dividend requirements on all Preference Shares Class B and Preference Shares Class A and all other shares (if any) of the Company ranking in priority thereto or on a parity therewith and all preference shares of its Subsidiaries (other than any of such shares of a Subsidiary held by the Company or by another Subsidiary or any of such shares of the Company held by a Subsidiary) which will be outstanding on completion of the proposed issue after giving effect to all redemptions or purchases for cancellation (if any) of shares of the Company or of a Subsidiary to be effected contemporaneously therewith or out of the proceeds of such issue;

provided that if such issue is to be made prior to the completion of three full fiscal years of the Company the consolidated net earnings (determined as though the definition of Consolidated Net Earnings hereinafter contained applied thereto) of the companies which have been amalgamated and continued as the Company and their subsidiaries (determined as though the definition of Subsidiary hereinafter contained applied thereto) for their last fiscal years ended prior to the date of these Letters Patent shall be included in such computation as though they were Consolidated Net Earnings of the Company and its Subsidiaries to the extent necessary to produce an average of Consolidated Net Earnings for three (3) fiscal years for the purpose of this subclause (g); and provided further that the prohibition of this subclause (g) shall not extend to any such issue made for the purpose of retiring all the then outstanding Preference Shares Class B if such outstanding Preference Shares Class B are retired within forty (40) days following such issue;

- (h) voluntarily wind up its affairs, surrender its charter, sell, lease or otherwise dispose of its assets and undertaking as an entirety or substantially as an entirety or take any other step with a view to the discontinuance of its undertaking unless contemporaneously therewith the Company shall make adequate provision for the immediate retirement of all the outstanding Preference Shares Class B; or
 - (i) guarantee or permit any Subsidiary to guarantee any obligations of or dividends on the shares of any other corporation, firm or individual, other than in the ordinary course of business; provided that the prohibition of this subclause (i) shall not extend to the guarantee by the Company of obligations of a Subsidiary or the guarantee by a Subsidiary of obligations of the Company or of another Subsidiary;
- (10) The approval of the holders of the Preference Shares Class B for the purposes of clause (9) hereof may be given (i) in the same manner as the authorization provided for in clause (12) hereof, or (ii) by instrument or instruments in writing signed by the holders of a majority of the Preference Shares Class B then outstanding after notice to all holders of Preference Shares Class B of the proposal approved by such instruments provided that the Company shall not have received within twenty-one (21) days after giving such notice written dissents signed by the holders of twenty-five per cent (25%) or more of the Preference Shares Class B then outstanding; all notices under this clause shall be given in the same manner as notices of redemption under clause (6) hereof;
- (11) For the purposes of these conditions attaching to the Preference Shares Class B:
- (a) "Subsidiary" means any corporation at least ninety per cent (90%) of the outstanding shares of which for the time being carrying voting rights are owned directly or indirectly by the Company or by another Subsidiary or by any combination of the Company and/or its Subsidiaries;
 - (b) "Consolidated Net Current Assets" means the excess of Consolidated Current Assets over Consolidated Current Liabilities of the Company and its Subsidiaries;

- (c) "Consolidated Current Assets" means and includes: cash, accounts, notes and bills receivable, less adequate provision for bad and doubtful accounts; inventories of raw materials, stock in trade, manufactured products and supplies; investments in marketable securities and call loans, excluding shares in controlled companies; prepaid insurance, rents, taxes and similar prepaid items; and any other assets ordinarily classified as current; determined on a consolidated basis in accordance with generally accepted accounting practice and as approved by the Company's auditors;
- (d) "Consolidated Current Liabilities" means and includes all liabilities, other than issued capital surplus and free reserves (including any provision in respect of tax reductions) and the principal amount of any bonds, debentures or other obligations maturing one year or more after the date of computation of such liabilities (but shall not include liability in respect of any sinking fund or share retirement purchase fund or liability in respect of the principal of any bonds or debentures of the Company in the last year of their currency) all as determined on a consolidated basis in accordance with generally accepted accounting practice and as approved by the Company's auditors;
- (e) "Consolidated Net Earnings" for any year means the combined net earnings of the Company and its Subsidiaries (and any immediate predecessor in title in respect of businesses acquired as going concerns by the Company or any Subsidiary) determined on a consolidated basis in accordance with generally accepted accounting practice after: (i) charging all expenses of operation and administration, including contributions to any Employees' Pension, Savings and/or Profit Sharing Plan or Fund; (ii) making provision acceptable to the Company's auditors for depreciation of properties, plant and equipment; (iii) deducting interest on loans and funded obligations and making proper charges for amortization of discount and expenses in respect thereof; (iv) providing for all taxes payable on income or profits of the year; and (v) deducting any and all other charges, interest and expenses which should be provided for in determining net earnings; all as approved by the Company's auditors;
- (f) "in priority to" and "on a parity with" have reference to the order of priority in payment of dividends and in the distribution of assets in the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs;
- (g) "retirement" means in relation to shares the repayment in whole or in part of the amount paid up thereon by way of redemption, decrease or distribution of capital or the purchase or other acquisition of such shares for cancellation;

(12) No application for Supplementary Letters Patent to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares Class B or to create preference shares ranking in priority to or on a parity with the Preference Shares Class B shall be made by the Company without, but any such application may be made with, the authorization of the holders of the Preference Shares Class B, in addition to the authorization by special resolution; the authorization of the holders of the Preference Shares Class B may be given by at least two-thirds of the votes cast at a meeting of the holders of the outstanding Preference Shares Class B duly called for that purpose upon at least ten (10) days' notice; each holder of a Preference Share Class B shall be entitled to one (1) vote at any such meeting in respect of each Preference Share Class B held and the presence in person or by proxy of the holders of at least fifty-one per cent (51%) of the Preference Shares Class B then outstanding shall constitute a quorum for any such meeting; provided that if at any such meeting a quorum is not present within thirty (30) minutes after the time appointed for such meeting it shall be adjourned to such date not less than fifteen (15) days thereafter and to such time and place as may be designated by the chairman of the meeting and not less than seven (7) days' notice shall be given of such adjourned meeting; at such adjourned meeting the holders of Preference Shares Class B present or represented by proxy shall constitute a quorum and a resolution passed by at least two-thirds of the votes cast at such adjourned meeting shall constitute the authorization of the holders of the Preference Shares Class B; subject to the foregoing, every such meeting shall be called and held in accordance with the by-laws of the Company.

